



Department of Justice

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FOR IMMEDIATE RELEASE
Friday, March 27, 2009
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STOCKTON FAMILY MEMBERS INDICTED FOR \$2 MILLION IN FOOD STAMP FRAUD

SACRAMENTO, Calif.—Acting United States Attorney Lawrence G. Brown announced today that a federal grand jury returned an indictment yesterday charging AHMAD KHAN, 51, and his brother, MUMRAIZ KHAN, 48, both of Stockton, with conspiracy, food stamp fraud, money laundering, and conducting a monetary transaction in criminally derived property. AHMAD KHAN's daughter, NAHEED KHAN, 23, of Stockton, was charged with conspiracy. A previously filed criminal complaint alleged that AHMAD KHAN had also employed two other minor family members in the scheme.

This case is the product of an investigation by the United States Department of Agriculture (USDA), Office of Inspector General and the Internal Revenue Service, Criminal Investigation.

According to Assistant United States Attorney R. Steven Lapham, who is prosecuting the case, the defendants used their small convenience store, Smoke Shop & Snack, 425 E. Miner Avenue in Stockton, as a front illegally to purchase food stamps at approximately 50 cents on the dollar, committing more than \$2 million in food stamp fraud. The money laundering charges relate to wire transfers that the brothers made to Pakistan.

Stated Acting U.S. Attorney Brown, "When food stamps are illegally exchanged for cash, the purpose and integrity of the food stamp program is subverted because taxpayer money, which is intended to help the truly needy, is diverted to less-deserving individuals."

According to Lori Chan, Special Agent in Charge at USDA: "I am pleased that agents from the Internal Revenue Service, Criminal Investigation Division, have teamed up with agents from our agency to combat this type of fraud. Our collaborative work has gone a long way toward protecting those that are in need and assuring the public that program funds are spent for their intended purpose."

The defendants were arrested on March 11, 2009, the same day federal agents executed a search warrant at Smoke Shop & Snack. According to the affidavit in support of that warrant, in the five and a half years that Smoke Shop has been authorized to redeem food stamps, its food stamp redemptions have far exceeded its food sales. In 2008, for example, Smoke Shop reported to the California Board of Equalization that it had non-taxable sales for the first three quarters of that year of \$6,818 (food sales are not taxed). For the same period, however, federal government records show that Smoke Shop redeemed \$718,056 in food stamp benefits.

As detailed in the search warrant affidavit, during the course of the government's investigation, a cooperating witness conducted many undercover sales of food stamp benefits, typically trading food stamp benefits for cash at the rate of 50 cents on the dollar.

On March 11, 2009, federal agents also seized the Smoke Shop's bank account and a Cadillac Escalade that had been purchased with proceeds of the fraudulent scheme. The government anticipates initiating forfeiture proceedings against these two items.

The food stamp program, which began in the late 1960's, was enacted by Congress to ensure that a portion of welfare money would be used exclusively for food. The food stamp program is actually now called the Supplemental Nutrition Assistance Program (SNAP). In the past, eligible individuals received a booklet of tear-out coupons that could be presented to authorized food stores. Today, recipients receive a plastic card similar to an ATM card. This card, also called an Electronic Benefits Transfer (EBT) card, may be swiped through a point of sale terminal at the retail store, and after the recipient enters a personal identification number, the transaction is processed. By law, SNAP benefits can only be used by eligible recipients to buy eligible food items at retail stores authorized to redeem food stamps.

The United States Department of Agriculture (USDA), Office of Inspector General has responsibility for protecting the integrity of the USDA food stamp program, including the Electronic Benefits Transfer program, which is administered by the States throughout the country. It is of grave importance that this program function in the proper manner because victims affected by this type of fraud are those that are in the greatest need. Violators of this program need to be brought to justice.

All three defendants have been charged with conspiracy, a felony that carries a maximum penalty of five years in prison and a \$250,000 fine. In addition, if convicted of the food stamp fraud, money laundering and conducting a monetary transaction in criminally derived property, the brothers face maximum sentences of 20 years, 20 years and 10 years respectively.

The actual sentence, however, will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables and any applicable statutory sentencing factors.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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